

**August 19, 2015**

**U.S. Department of Labor  
Advisory Council on Employee Welfare and Pension Plan Benefits**

**Comments from Jeff Stein, VP of Operations at Nationwide on the topic of “Model notices and education on lifetime plan participation”**

---

Thank you for the valuable work the Council is doing to assist the Secretary of Labor in his efforts to educate on, and encourage, lifetime retirement plan participation.

My name is Jeff Stein, VP of Operations for Nationwide’s retirement plans business. In my role, I have the privilege of serving small business employers, and their financial advisors, as we help America’s workers prepare for and live in retirement.

**About Nationwide**

Nationwide, a Fortune 85 company based in Columbus, Ohio, is one of the largest and strongest diversified insurance and financial services organizations in the United States. We serve more than two million participants across nearly 30,000 retirement plans with assets in excess of \$100 billion. We are the 10<sup>th</sup> largest provider of retirement plans to America’s small businesses and the No. 1 provider of governmental plans in the country. Nationwide is a leader in the small-business retirement plan marketplace, as 90% of our retirement plan clients have less than 100 participants, and our average 401(k) plan size is about \$1 million. Our mission is to provide quality, affordable financial services and investment products to help America prepare for and live in retirement.

**A growing need for lifetime plan participation education**

Like the Council, Nationwide sees a growing need to assist participants in making informed decisions at the time of job separation and better educate the participant about ways to maximize his or her savings for a secure retirement. We support efforts to expand access to retirement plans, education and guidance that promotes better retirement outcomes and preparedness for America’s workers.

This education is needed now more than ever considering an estimated 10,000 workers turn age 65 every day through 2030,<sup>1</sup> with more than \$2 trillion estimated outflows for U.S. defined contribution accounts through 2018.<sup>2</sup> Adding to the retirement challenge is the need to address the “retirement gap,” the difference between what retirees will need and what they have saved.

---

<sup>1</sup> See Pew Research Center, *Baby Boomers Retire*, available at <http://www.pewresearch.org/daily-number/baby-boomers-retire>

<sup>2</sup> See McKinsey & Company, *Winning in the Defined Contribution Market of 2015: New Realities Reshape the Competitive Landscape*, available at <http://www.efinancialnews.com/share/media/downloads/2010/09/4067165967/pdf>.

One report stated that gap could be between \$6.8 trillion and \$14.8 trillion depending on household assets counted.<sup>3</sup>

In order to be effective, communications and notices to employees must provide real-time information on how the participant is doing relative to the money they'll need to live in retirement. From enrollment, contribution amounts, and investment options, to understanding Social Security benefits and the rising costs of health care, this education needs to be delivered through complementary efforts by the industry, providers, advisors and plan sponsors that includes a series of touch points throughout a participant's career.

### **Nationwide's thoughts on model education for plan participants**

We appreciate the opportunity to share our experiences and offer our thoughts on **1) elements of model education for participants on the topic of nearing and preparing for retirement, 2) information needed at time of job separation, and 3) communication methods and mediums to deliver this information.**

### **Elements of model education for participants on the topic of nearing and preparing for retirement**

The topic of income in retirement should not be saved until a participant is actually nearing retirement. Education should begin at enrollment, continue throughout the working years, and be proactively initiated by the employer or financial advisor beginning no later than age 50. Notices and written communication alone will never be as effective as educational campaigns that include a mix of written, online and in-person education and guidance that includes information to help the participant:

- **Identify their desired lifestyle in retirement** including prompts for considering new discretionary expenses associated with plans for travel, moving, pursuing hobbies, etc.
  - Only 46% of America's workers have done a retirement needs calculation<sup>4</sup>, 38% have confidence in their ability to save for retirement and only 29% think they know how much they need to save.<sup>5</sup>
- **Understand and estimate health and long-term care costs.**
  - The average 65-year-old couple can expect to spend over \$220,000 on health care costs through retirement.<sup>6</sup> However, only 11% of adults age 55 or older have long-term care coverage in place.<sup>7</sup>
- **Consider factors in developing an income strategy** including longevity, market performance, inflation and interest rates.
  - 47% of people over 50 now expect to retire later than they previously thought because they are financially unprepared.<sup>8</sup> Participants need to understand age-related milestones that may affect their retirement income. There are several

---

<sup>3</sup> See National Institute on Retirement Security, *The Retirement Savings Crisis: Is it Worse Than We Think?*

<sup>4</sup> <http://money.usnews.com/money/blogs/planning-to-retire/2013/03/19/10-reasons-to-worry-about-your-retirement>

<sup>5</sup> <http://www.statisticbrain.com/retirement-statistics/> (April 8<sup>th</sup>, 2015)

<sup>6</sup> *How to tame retiree health care costs, Fidelity Benefits Consulting (June 2014).*

<sup>7</sup> <http://ltcbasics.nationwide.com>, cost of home health care.

<sup>8</sup> <http://www.cbsnews.com/news/more-americans-planning-to-delay-retirement/>

important milestones at 50, 55, 59 ½, 62, 65, 70, and 70 ½ and most Americans are not aware of the implications.

- **Identify their income sources in retirement**, the tax treatment of each, whether each is guaranteed or not, and a means to project their total retirement savings and income.
  - 83% of participants find online tools and calculators that project retirement savings and income needs on the retirement plan provider's website helpful.<sup>9</sup>

In addition to the elements of participant education outlined above, we also support the Lifetime Income Disclosure Act (S. 1317 and HR 2317). Under the bill, participants in workplace retirement plans would receive an annual statement of how their lump-sum savings translate into a guaranteed lifetime stream of monthly income from an annuity. We know that when participants are informed about their savings, they make better decisions.

### **Contents of model notices for participants changing employers**

According to the Bureau of Labor Statistics' most recent data, the median number of years workers have been with their current employer was 4.6 as of January 2014. Meaning, that over the course of a 40-year career, a worker might have as many as 8-10 jobs and each time will face a decision on what to do with their retirement savings.

Without the proper education about their long-term savings needs, many participants will often choose to take lump-sum taxable cash distributions resulting in "leakage" that will ultimately erode assets at retirement. In fact, a 2011 AON Hewitt study found that 42% of workers who separated from employment took a cash distribution.

Education becomes crucial at the point when a participant separates from their job or moves to another employer, and he or she needs to know the options available to them, the pros and cons of each, including financial consequences, taxes and or penalties.

1. Leave their balance in their current company's plan (if allowed) – Notice on whether the current plan is willing to continue to hold the money, the participant's rights, and the benefits of leaving their savings in the plan.
2. Rolling their balance to their new company's plan – Information about how to roll over and/or a third party willing to assist with the transaction and steps to do so.
3. Rolling their balance into an IRA account – Information on how to select the provider, understand fees, the lack of protection from creditors with this option, etc.
4. Periodic distributions – Information on the frequency available to receive payments and when they are allowed to make changes to the distribution amount.
5. Take a lump-sum distribution – Information on the implications of taxes and penalties where applicable.
6. Purchase an annuity – Education about annuities, drawbacks on not adjusting for inflation and estate planning/beneficiary implications.

---

<sup>9</sup> [http://www.transamericacenter.org/docs/default-source/resources/center-research/tcrs2014\\_sr\\_three\\_unique\\_generations.pdf](http://www.transamericacenter.org/docs/default-source/resources/center-research/tcrs2014_sr_three_unique_generations.pdf)

### Notices should be:

- ✓ Descriptive of the pros and cons of each option and any financial implications
- ✓ Illustrative of how current retirement balances translate into retirement income
- ✓ Inclusive of all retirement income sources such as defined contribution plans, defined benefit plans, social security, and personal savings
- ✓ Provided, at a minimum, at key retirement planning life stages, including:
  - At enrollment
  - Early savers
  - Mid-career savers
  - Approaching retirement
  - Living in retirement
- ✓ Delivered with plan statements and as part of a separate push campaign at the life stages noted above
- ✓ Simple and short with links/access to additional information
- ✓ Illustrative using stats, facts and infographics to articulate concepts
- ✓ Clear about how a participant can reach their advisor, plan sponsor and/or provider and a toll-free number participants can call with questions
- ✓ Accessible online

We've shared our thoughts on information to include in participant education campaigns, specifically the critical information they need to understand before separating from their current employer. Now, I'd like to spend a few moments sharing our thoughts on how best to deliver the information based on our experiences working with America's small businesses, their participants and the financial advisors to these plans.

We know that conservatively speaking, 38% of Americans are not saving anything for retirement<sup>10</sup> and that 80% of people ages 30-54 believe they will not have enough money put away for retirement.<sup>11</sup> Another 63% of participants would like more education and advice from their employers on how to reach their retirement goals.<sup>12</sup>

We believe effective participant education is:

1. **Option Rich** – Participant investment strategy styles and skills range widely from the do-it-for-me investor to the do-it-myself. Education and tools need to account for behavioral preferences, learning styles, financial acumen and participant desire on how involved they want or are willing to be in preparing for retirement.
2. **Personalized** – Participants need an accurate and holistic picture of how they are doing relative to the money they'll need in retirement and actionable options to improve their probability of meeting their retirement goal. While illustrative models are helpful, personalized information that includes whole-house financial information, is most useful. The use of online calculators that a participant, plan sponsor or an advisor can use to help

---

<sup>10</sup> <http://www.statisticbrain.com/retirement-statistics/> (April 8<sup>th</sup>, 2015)

<sup>11</sup> <http://www.statisticbrain.com/retirement-statistics/> (April 8<sup>th</sup>, 2015)

<sup>12</sup> <http://www.transamericacenter.org/docs/default-source/resources/center>

| research/tcrs2014\_sr\_three\_unique\_generations.pdf

estimate retirement savings needs is essential.

3. **Multi-touch** – Education needs to be delivered in print, in-person, online and by phone. For example, to maintain their lifestyle through retirement, America’s workers will need 78% of pre-retirement income.<sup>13</sup> However, Social Security benefits typically account for (at most) 40% of pre-retirement income.<sup>14</sup> Social Security has over 2,725 complex rules. Participants need help simplifying and understanding Social Security.
  - Nationwide has a multi-touch Social Security 360 program. The program offers client-ready education, tools and support to help advisors and plan sponsors confidently help participants account for Social Security in their retirement income planning needs. The program includes:
    - ✓ online Social Security analyzer tool
    - ✓ participant videos
    - ✓ 28-page education brochure
    - ✓ toll-free number to an income planning desk where they can talk with a financial professional
4. **Debunks mysteries and myths** – Helping participants understand retirement planning concepts is not enough. There is too much marketing, news and misinformation circulating that has created myths about retirement, such as Social Security will be enough to live on in retirement, Medicare will cover health care costs, I can’t afford to save, it’s too late, it’s too complicated, etc. We have to be cheerleaders of savings and reverse the natural inertia that exists by debunking these myths at every opportunity.
5. **Digestible and actionable** – Participants need to understand both what they can and should do, as well as the implications if they don’t take action.
  - In our time today, we’ve touched on numerous topics relevant to effectively saving for and living in retirement. It’s too much information to share with a participant at any one time using any one medium. One approach we take is to divide these topics into learning modules. The modules are available beginning at enrollment and can be used by the participant, plan sponsor or advisor throughout the participant’s career.
  - I brought with me today two samples to share. The first is a participant enrollment guide that touches on each of these topics. The second is a deeper look at each topic delivered as education modules. Since launching the kit earlier this year, nearly **95,000** individual brochures found in the kit have been ordered.
  - The most ordered topics are:
    - ✓ Managing your retirement account
    - ✓ Retirement myths and realities
    - ✓ Increasing contributions

---

<sup>13</sup> Your Retirement Lifestyle, [www.kiplinger.com/article/retirement/T037-C000-S002-your-retirement-lifestyle.html](http://www.kiplinger.com/article/retirement/T037-C000-S002-your-retirement-lifestyle.html), February 2009

<sup>14</sup> Social Security Fact Sheet, Social Security Administration, [www.ssa.gov/news/press/factsheets/basicfact-alt.pdf](http://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf), April 2, 2014

6. **Provides access to guidance** – No matter how well we simplify these concepts, create educational materials, or provide online tools, nothing will replace the fact that there is a population of investors who will always want to talk with a person. Continued access to professional financial guidance and advice is critical. America's workers rely on their employer, financial advisor and retirement plan provider to help explain the retirement savings process, their options and help them take action once they've made a decision.

### **In Summary**

We appreciate the opportunity to share our thoughts with the Council as it works on its recommendation for model notices for lifetime plan participation. We support any effort that expands access to critical retirement planning education and guidance America's workers need to prepare for and live in retirement.

While we support your efforts to provide guidance on participant notice requirements, our hope is that this guidance be directed as a minimum requirement. Our position is not to advocate for a single standard, but to allow maximum flexibility to plan sponsors, financial advisors and providers like Nationwide to use the tools and resources available to openly and frequently communicate with plan participants.

The only way to address the current leakage issues, and ensure America's workers are making informed decisions at the time of job separation, is to arm those that they trust and seek information from – their employer, advisor, provider and industry groups - with education and insights to help guide their decisions.

Thank you.

Please contact me at 614-435-2713 or via email at [steinj1@nationwide.com](mailto:steinj1@nationwide.com) for any follow-up questions you may have.

Sincerely,

Jeff Stein  
Vice President, Operations  
Nationwide, Retirement Plans